

SENATE, No. 1964

STATE OF NEW JERSEY

211th LEGISLATURE

INTRODUCED OCTOBER 14, 2004

Sponsored by:

Senator ANTHONY R. BUCCO

District 25 (Morris)

Senator MARTHA W. BARK

District 8 (Burlington)

Co-Sponsored by:

**Senators T.Kean, Ciesla, Connors, Inverso, Palaia, Sacco, Scutari, Rice,
Cardinale, McNamara, Singer, Asselta, Coniglio, Sweeney, Adler, James,
Allen, Girgenti, Littell, Sarlo and Buono**

SYNOPSIS

Prohibits investment of certain public funds in companies doing business in countries that sponsor terrorism.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/6/2006)

1 AN ACT concerning the investment of certain public funds and
2 supplementing chapter 18A of Title 52 of the New Jersey Statutes.

3
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6
7 1. The Legislature finds and declares that: a. Despite significant
8 pressure from the United States Government, the countries designated
9 as state sponsors of terrorism, such as Cuba, Iran, North Korea and
10 the Sudan, have not take all the necessary actions to disassociate
11 themselves fully from their ties to terrorism;

12 b. State sponsors of terrorism impede the efforts of the United
13 States and the international community to fight terrorism while
14 providing critical foundations for terrorist groups to obtain funds,
15 weapons, materials, and the secure areas they require to plan and
16 conduct operations;

17 c. Official United States sanctions largely prohibit United States
18 companies from doing business with countries that the United States
19 Department of State has designated as sponsoring terrorism;

20 d. America's largest and most prominent public pension systems
21 tend to be heavily invested in global publicly traded companies that
22 have business activities in terrorist-sponsoring states;

23 e. On average, America's top 100 pension systems invest between
24 15 and 23 percent of their portfolio in companies that do business in
25 terrorist-sponsoring states;

26 f. There are approximately 400 public companies that do business
27 with terrorist-sponsoring states, many of which provide critical
28 revenues and advanced equipment and technology to these countries;

29 g. The federal Securities and Exchange Commission in May 2001
30 determined that business operations in terrorist-sponsoring countries
31 can represent a material risk to investors;

32 h. There is a proven risk to the share value and corporate
33 reputation of companies doing business in terrorist-sponsoring
34 countries; and

35 i. It is in the best interest of this State that a statutory prohibition
36 be enacted to prohibit the investment of public employee retirement
37 funds in companies doing business in countries designated as state
38 sponsors of terrorism.

39
40 2. Notwithstanding any provision of law to the contrary, no assets
41 of any pension or annuity fund under the jurisdiction of the Division
42 of Investment in the Department of the Treasury, or its successor, shall
43 be invested in any bank or financial institution which directly or
44 through a subsidiary has outstanding loans to or financial activities in
45 or with countries, or their instrumentalities, designated as state
46 sponsors of terrorism by the United States Department of State and no

1 such assets shall be invested in the stocks, securities or other
2 obligations of any company which directly or through a subsidiary is
3 engaged in business in or with countries, or their instrumentalities,
4 designated as state sponsors of terrorism.

5
6 3. The State Investment Council and the Director of the Division
7 of Investment shall take appropriate action to sell, redeem, divest or
8 withdraw any investment held in violation of the provision of this act.
9 This act shall not be construed to require the premature or otherwise
10 imprudent sale, redemption, divestment or withdrawal of an
11 investment, but such sale, redemption, divestment or withdrawal shall
12 be completed not later than three years following the effective date of
13 this act.

14
15 4. Within 60 days after the effective date of this act, the Director
16 of the Division of Investment shall file with the Legislature a report of
17 all investments held as of the effective date of this act which are in
18 violation of the provisions of this act. Every year thereafter, the
19 director shall report on all investments sold, redeemed, divested or
20 withdrawn in compliance with this act.

21 Each report after the initial report shall provide: a description of
22 the progress which the division has made since the previous report and
23 since the enactment of this act in implementing the provisions of
24 section 2 of this act.

25 Any additional country that may be designated a state sponsor of
26 terrorism by the federal Department of State and action taken by the
27 division as a result of that designation to comply with section 2 of this
28 act.

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30 5. This act shall take effect on the first day of the month after
31 enactment.

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33
34 **STATEMENT**

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36 This bill requires the Division of Investment in the Department of
37 the Treasury to divest State-administered pension fund investments
38 from companies, banks and financial institutions that have ties to, or
39 activities in, countries designated as state sponsors of terrorism by the
40 United States Department of State. An August 2004 report written by
41 the Center for Security Policy found that America's 100 largest and
42 most prominent pension systems have the power to help defeat
43 terrorism by divesting a portion or all of the approximately \$188
44 billion these funds have invested in 400 companies doing business in
45 terrorist-sponsoring states.

46 International terrorism and the development and proliferation of

1 weapons of mass destruction are the most pressing national security
2 concerns presently facing the United States. Therefore, it is important
3 that the investment of the retirement funds of public employees avoid
4 contributing to these twin scourges.

5 The federal Department of State submits annually a "Patterns of
6 Global Terrorism" report, in compliance with Title 22 of the United
7 States Code, to provide Congress with a full and complete report on
8 terrorism for those countries and groups that meet certain criteria.